

Message Text

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11

ACTION TRSE-00

INFO OCT-01 EA-07 NEA-10 ISO-00 CIAE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 IO-13 /109 W

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R 010200Z DEC 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3369

INFO AMEMBASSY KATHMANDU

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/1/77

TAGS: EAID, EFIN, NP

SUBJECT: ADB APPROVES \$39.5 MILLION LOAN FOR CEMENT PROJECT IN
NEPAL

REF: (A) MANILA 17833, (B) TREASURY 76-141, (C) KATHMANDU 4876

1. ADB BOARD OF DIRECTORS ON NOVEMBER 29 APPROVED \$39.5
MILLION LOAN FROM SPECIAL FUND (SF) RESOURCES FOR
HETAUDA CEMENT PROJECT IN NEPAL.

2. U.S. DIRECTOR EXPRESSED VIEW THAT PROJECT JUSTIFICATION
LIES IN SOCIAL BENEFITS, FOREX SAVINGS, AND COUNTRY'S GROWING
CEMENT REQUIREMENT; OBSERVED PROJECT OF DOUBTFUL ECONOMIC
VIABILITY GIVEN RELATIVELY LOW RATE OF RETURN WHICH BASED,
MOREOVER, ON QUESTIONAABLE PRICING ASSUMPTIONS.

3. SEVERAL DIRECTORS NOTED LARGE SIZE OF LOAN RELATIVE TO
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REMAINING SF RESOURCES. FRENCH DIRECTOR SAID HIS GROUP

WOULD PREFER TO SEE THOSE RESOURCES SPREAD OVER NUMBER OF SMALLER LOANS. THIS VIEW OPPOSED BY U.K. AND BANGLADESH DIRECTORS WHO STRESSED IMPORTANCE OF LOAN QUALITY AS OPPOSED TO SIZE.

4. RELATED TO MATTER OF LOAN SIZE, MANAGEMENT WAS QUERIED EXTENSIVELY RE POSSIBILITIES FOR ALTERNATIVE FINANCING OF PROJECT, INCLUDING COFINANCING ARRANGEMENTS. IN REPLY, STAFF NOTED EARLIER IBRD INTEREST AS POSSIBLE COFINANCIER, BUT EXPLAINED NEPAL GOVERNMENT'S STRONG PREFERENCE FOR SINGLE FINANCING SOURCE IN ORDER AVOID PROJECT DELAYS LEADING TO POSSIBLE COST ESCALATION. GOVERNMENT PREFERRED 100 PERCENT ADB FINANCING EVEN AT COST OF SACRIFICING (FOR LACK OF FUNDS) ONE OR MORE FUTURE POTENTIAL ADB PROJECTS.

5. SEVERAL DIRECTORS QUESTIONED COST AND/OR COMPLEXITY OF CONSULTANT SERVICES IN VIEW RELATIVELY SIMPLE TECHNOLOGY INVOLVED. MANAGEMENT DEFENDED, GENERALLY, ON GROUNDS OF NEPAL'S RELATIVELY UNDEVELOPED STATE.
SULLIVAN

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NNN

Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: LOANS, PROGRAMS (PROJECTS), CEMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 01 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760444-0736
From: MANILA
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1976/newtext/t19761283/aaaacugv.tel
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Review Event:
Review Exemptions: n/a
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Margaret P. Grafeld
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04 MAY 2006

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